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SENATE ENERGY, UTILITIES AND COMMUNICATIONS COMMITTEE
DEBRA BOWEN, CHAIRWOMAN

SB 1962 - Costa Hearing
Date: April 11, 2000 S
As Introduced: February 25, 2000 FISCAL B

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DESCRIPTION

Current law requires oil refiners to report specified information regarding their refinery inputs and outputs to the California Energy Commission (CEC).

Current law requires major marketers, as defined, to report on their petroleum product receipts, inventories, and distributions to the CEC.

Current law requires the CEC to analyze that information with regard to the nature of any fuel shortages and price changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline.

BACKGROUND

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require

refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of diesel fuel to make supplies available in Fresno. High fuel prices, while constituting an inconvenience, don't qualify as an emergency under the law.

COMMENTS

1. Fill 'er Up . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports,

and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.

2. Those Aren't Baseball Spikes . California's experience over the last several years shows that any disruption in refinery operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."

3. One, Two, Three . . . Okay, Who's Missing? The bill adds intent language stating it's the policy of the state to ensure that emergency service agencies, state and local government agencies, agricultural consumers, and business consumers of petroleum products have adequate and economic supplies of fuel. Left out of this intent language are individual consumers. As such, the author and Committee may wish to consider simply striking this language (Page 2, Line 27 through Page 3, Line 2) and replacing it with language that reads:

"It is also the policy of the state to ensure that all consumers have access to adequate and economic supplies of fuel."

However, the author and Committee may also wish to consider simply striking the amendments to this intent section of law entirely. That's because the notion of ensuring that

"adequate and economic supplies" of fuel are available appears to conflict with the intent of the section as a whole, which is designed to promote cost-effective energy efficiency policies.

POSITIONS

Sponsor:

California Independent Oil Marketers Association

Support:

None on file

Oppose:

None on file

Randy Chinn

SB 1962 Analysis

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